

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: June 1, 2011

Monthly General Fund Receipts through May 31, 2011

The spreadsheet at the end of this document presents FY 2011 General Fund total net receipts with comparable figures for actual FY 2010. The figures can be compared to the FY 2011 estimate of \$5.767 billion set by the Revenue Estimating Conference (REC) on March 25, 2011. The FY 2011 projection is an estimated increase of \$274.3 million (5.0%) compared to actual FY 2010 total net receipts (excludes transfers). The next REC meeting has not been scheduled.

FY 2011 Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = + 4.99%						
Year-to-Date Ending:	Year-to-Date FY 2010	Year-to-Date FY 2011	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
Oct	\$ 1,777.6	\$ 1,813.9	\$ 36.3	2.0%	\$ 88.8	\$ -52.5
Nov	2,318.6	2,385.7	67.1	2.9%	115.8	-48.7
Dec	2,751.0	2,855.6	104.6	3.8%	137.4	-32.8
Jan	3,168.1	3,378.1	210.0	6.6%	158.2	51.8
Feb	3,607.6	3,824.8	217.2	6.0%	180.2	37.0
Mar	3,985.2	4,202.4	217.2	5.5%	199.0	18.2
Apr	4,354.6	4,530.5	175.9	4.0%	217.5	-41.6
May	4,999.0	5,312.4	313.4	6.3%	249.6	63.8
June	5,504.0				274.9	
Year end	5,492.8				274.3	

Overview of Current Situation

May 2011 net General Fund revenue was \$137.7 million above the May 2010 level and at \$782.0 million, it was the second highest net General Fund revenue month in Iowa history (May 2007 = \$791.7 million). May 2011 was positively impacted by several calendar and deposit date differences, with April 2011 ending on a weekend (pushed revenue into May 2011) and May 2010 ending on a weekend (pushed revenue out of May 2010). Also, individual income tax refunds were issued faster this year and payments with returns deposited later; both provided significant boosts to May 2011 net revenue. In addition, a significant gross corporate tax increase occurred this May. However, all news was not positive for the month. Individual income tax withholding receipts were negative for May, only partly due to deposit date issues, and while sales/use tax

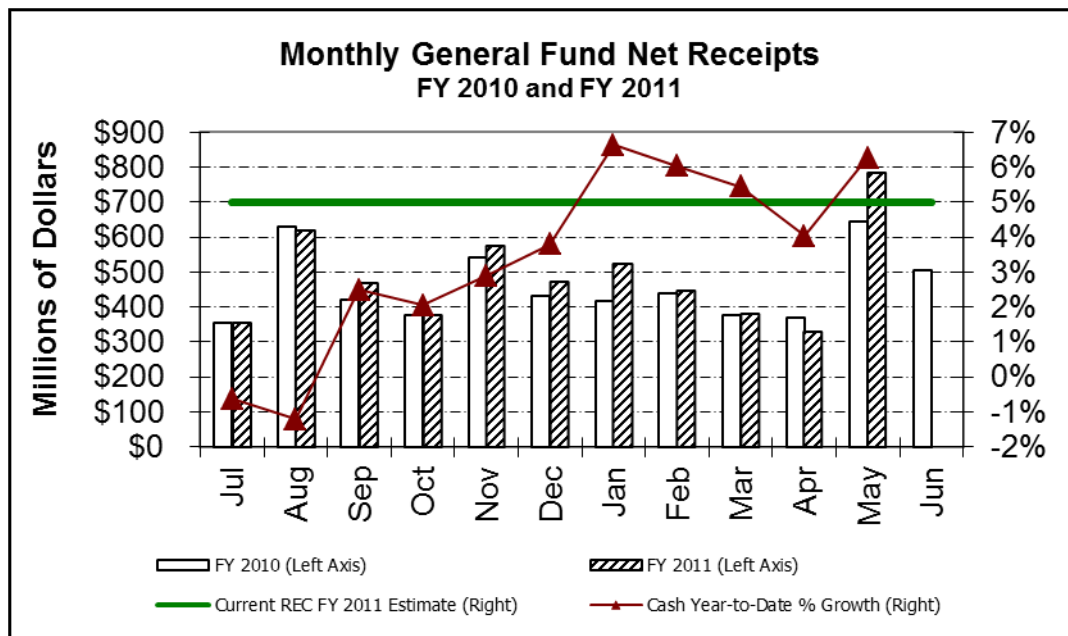
posted a 4.2% gain, much of this was also due to the differences in how April and May ended on weekends.

For the cash fiscal year, personal income tax revenue is well above projections and sales/use tax and corporate tax are near, but below the current estimate growth percentage. The positive reversal in May now places the overall net revenue growth rate 1.3 percentage points above the official REC estimate for the year.

FY 2011 Compared to FY 2010

Year-to-date FY 2011 total net receipts (excluding transfers) increased \$313.4 million (6.3%) compared to FY 2010. Major revenue sources and their contribution to the FY 2011 change include:

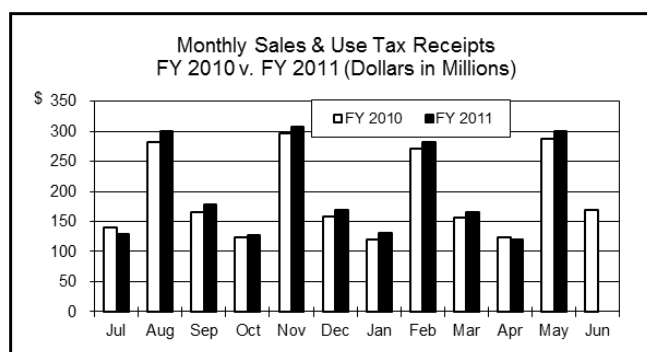
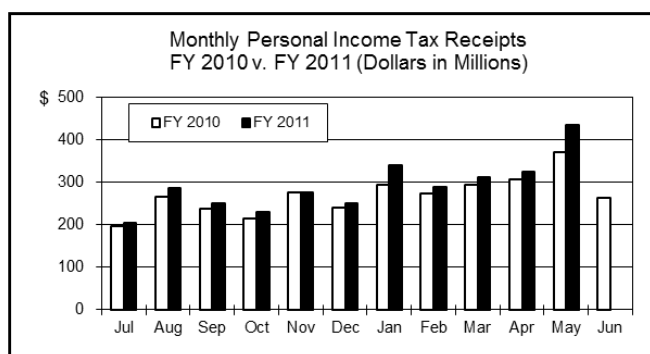
- Personal income tax (positive \$226.7 million, 7.6%)
- Sales/use tax (positive \$82.9 million, 3.9%)
- Corporate tax (negative \$7.8 million, - 2.3%)
- Other taxes (positive \$13.0 million, 3.5%)
- Other receipts (negative \$19.3 million, - 5.8%)
- Tax refunds not including school infrastructure refunds (positive \$24.4 million)
- School infrastructure sales/use tax refunds (negative \$6.3 million)



Personal Income Tax revenues received in May totaled \$434.7 million, an increase of \$64.7 million (17.5%) compared to May 2010.

The FY 2011 REC income tax estimate of \$3.435 billion represents a projected increase of 6.2% compared to actual FY 2010. Through May, total income tax receipts increased 7.6%. By

subcategory, withholding payments increased \$125.2 million (5.3%), estimate payments increased \$25.3 million (8.5%), and payments with returns increased \$76.2 million (26.5%). The following chart compares FY 2011 monthly income tax receipts with FY 2010.



Sales/Use Tax receipts received in May totaled \$299.7 million, an increase of \$12.0 million (4.2%) compared to May 2010.

The REC estimate for FY 2011 sales/use tax receipts is \$2.395 billion, an increase of 4.4% compared to actual FY 2010. Through May, sales/use tax receipts increased 3.9%. The preceding chart compares FY 2011 monthly sales/use tax receipts with FY 2010.

Corporate Income Tax receipts received in May totaled \$61.1 million, an increase of \$26.0 million (74.1%) compared to May 2010.

The REC estimate for FY 2011 corporate tax revenue is \$386.2 million, a decrease of 0.8% compared to actual FY 2010. Through May, corporate income tax receipts decreased 2.3%.

Other tax receipts received in May totaled \$50.3 million, an increase of \$8.9 million (21.5%) compared to May 2010. Inheritance and franchise (bank) taxes increased significantly in May.

The REC estimate for FY 2011 other tax revenue is \$437.2 million, an increase of 0.8% compared to actual FY 2010. Through May, other tax receipts increased 3.5%.

Other receipts (nontax receipts) received in May totaled \$26.3 million, an increase of \$4.2 million (19.0%) compared to May 2010. All categories of other receipts with the exception of institutional payments increased for the month.

The REC estimate for FY 2011 other receipts revenue is \$324.4 million, a decrease of 9.7% compared to actual FY 2010. Through May, other receipts decreased 5.8%.

Tax Refunds issued in May totaled \$57.3 million, a decrease of \$23.7 million (- 29.3%) compared to May 2010. Cash year-to-date, regular tax refunds decreased \$24.4 million.

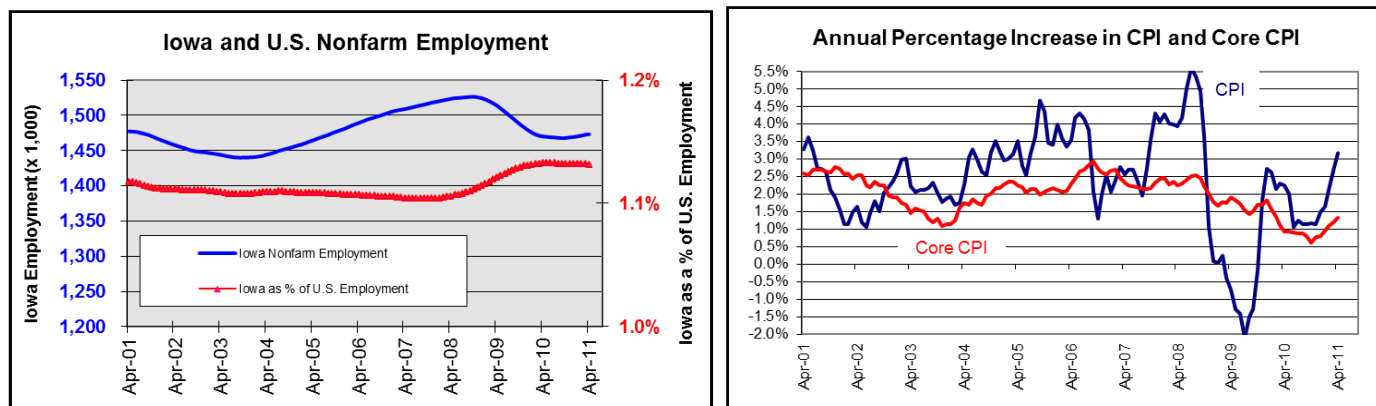
Status of the Economy

Iowa nonfarm employment was reported at 1,485,100 for the month of April (not seasonally adjusted), 7,100 higher (0.5%) than April 2010.

Iowa's 12-month average employment is presented as a blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, 47,700 above the peak

(January 2001) prior to the previous recession. The current 12-month average reading is now 1,473,100, resulting in an annual average Iowa nonfarm employment level 53,300 below the October 2008 peak and 5,600 below the January 2001 peak. This situation is not unique to Iowa, as current U.S. nonfarm employment is also below the peak experienced prior to the 2001 U.S. recession.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment as a red line. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002. The decline continued at a much slower pace from 2002 through 2007. Iowa's share of U.S. nonfarm employment has been improving since the start of the recession in December 2007; however, Iowa's employment share has been relatively unchanged since March 2010.



The Consumer Price Index (CPI-U) through April 2011 was 224.9 (1983/84=100). Consumer prices increased 0.6% in April (not seasonally adjusted) and the annual rate of inflation now stands at 3.2%. The annual rate of inflation peaked at 5.6% in July 2008 and decreased rapidly in the following months. The percentage increase in top-line CPI has increased significantly over the past six months.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.2% in April and totals a modest 1.3% year-over-year. With the onset of the recent recession, the annual core inflation rate has been very low and has now been below 2.0% since December 2008. For the two components excluded from the core rate, energy prices are up 19.0% year-over-year while food prices are up 3.1%.

Information related to State General Fund receipts is available on the Fiscal Services Division's website at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2010 vs. FY 2011 July 1 through May 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 10 Actual Compared to FY 11 REC Estimate		
	FY 2010	FY 2011	Year to Date % Change	May % Change	Actual FY 2010	Estimate FY 2011	Projected % Change
Personal Income Tax	\$ 2,971.5	\$ 3,198.2	7.6%	17.5%	\$ 3,235.9	\$ 3,435.0	6.2%
Sales/Use Tax	2,124.2	2,207.1	3.9%	4.2%	2,293.0	2,394.6	4.4%
Corporate Income Tax	341.5	333.7	-2.3%	74.1%	389.3	386.2	-0.8%
Inheritance Tax	61.1	60.0	-1.8%	65.9%	67.4	62.0	-8.0%
Insurance Premium Tax	63.0	74.6	18.4%	4.5%	88.6	93.0	5.0%
Cigarette Tax	184.2	178.7	-3.0%	5.1%	206.1	202.4	-1.8%
Tobacco Tax	23.9	24.7	3.3%	-22.2%	26.0	27.7	6.5%
Beer Tax	13.1	13.0	-0.8%	0.0%	14.4	14.3	-0.7%
Franchise Tax	26.3	32.1	22.1%	250.0%	31.6	36.8	16.5%
Miscellaneous Tax	-0.5	1.0	0.0%	100.0%	-0.4	1.0	0.0%
Total Gross Taxes	\$ 5,808.4	\$ 6,123.0	5.4%	15.2%	\$ 6,352.0	\$ 6,653.0	4.7%
Institutional Payments	14.0	8.6	-38.6%	-43.8%	14.8	14.9	0.7%
Liquor Profits	74.5	81.8	9.8%	18.0%	80.3	83.7	4.2%
Interest	3.9	2.9	-25.6%	100.0%	4.0	2.0	-50.0%
Fees	44.7	29.7	-33.6%	29.4%	47.8	26.0	-45.6%
Judicial Revenue	97.1	91.7	-5.6%	15.8%	108.6	101.6	-6.4%
Miscellaneous Receipts	35.2	35.4	0.6%	64.0%	37.8	30.2	-20.1%
Racing and Gaming Receipts	66.0	66.0	0.0%	0.0%	66.0	66.0	0.0%
TOTAL GROSS RECEIPTS	\$ 6,143.8	\$ 6,439.1	4.8%	15.3%	\$ 6,711.4	\$ 6,977.4	4.0%
Accrued Revenue-Net					13.1	13.9	
Tax Refunds *	-807.6	-783.2	-3.0%	-29.3%	-859.1	-826.0	-3.9%
School Infrast. Refunds *	-337.2	-343.5	1.9%	5.5%	-372.5	-398.1	6.9%
TOTAL NET RECEIPTS	\$ 4,999.0	\$ 5,312.4	6.3%	21.4%	\$ 5,492.9	\$ 5,767.2	5.0%
<p>The Actual FY 2010 column is now final.</p> <p>* For FY 2010 and FY 2011 Year-to-Date columns, refunds are presented on a cash basis. For FY 2010 Actual and FY 2011 Estimate, refunds are presented on a fiscal year basis.</p>							